

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

BAC 3634 – CORPORATE ACCOUNTING 1
(All sections / Groups)

16th OCTOBER 2015
3.00 p.m. – 6.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of EIGHT (8) pages including the cover page with FOUR (4) Questions only.
2. Attempt ALL questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1 (25 MARKS)

The following is the trial balance as at 30 June 2014 extracted from the books of Worrynot Bhd.

	Debit RM	Credit RM
Ordinary shares		500,000
6% cumulative preference shares		150,000
8% debentures		300,000
Trade payables		120,000
Loans from directors		150,000
Bank overdraft		124,050
Land	225,000	
Buildings (at cost)	750,000	
Accumulated depreciation-Buildings		255,000
Equipment (at cost)	95,000	
Accumulated depreciation-Equipment		33,450
Research and Development	45,000	
Inventories	120,000	
Trade receivables	97,500	
Accumulated losses	300,000	
	1,632,500	1,632,500

Additional information:

- 1) The issued share capital is made up of 500,000 ordinary shares, each fully paid up, and 150,000 6% preference shares.
- 2) There is a contingent liability of RM6,000. The contingent liability materialised and the insurance company indemnified Worrynot Bhd the amount of RM4,500.

The approval of court was obtained for the following scheme of reconstruction:

- a) Each ordinary share is to be reduced by RM0.80 each.
- b) The existing ordinary shareholders are to subscribe for one ordinary share for every one held at RM0.30 each payable by cash.
- c) The 6% preference shares are to be cancelled and in return the preference shareholders are to receive 75,000 8% preference share of RM1 each and the balance four RM0.25 ordinary shares for every two 6% preference shares held.

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- d) The directors agree to convert their loans to 6% debentures of nominal value RM150,000.
- e) The accumulated losses, research and development, bad debts of RM7,500 and inventories RM15,000 are to be written off.
- f) The following fair values are to be adopted:

	RM
Land	RM 255,000
Building	RM 450,000
Equipment	RM 69,000

- g) Cost of reorganisation amounted to RM1,950.

Required:

- i) Journalise the above transactions. (10 marks)
- ii) Prepare Capital Reduction Account. (6 marks)
- iii) Prepare the Statement of Financial Position of Worrynot Bhd immediately after the reconstruction. (9 marks)

QUESTION 2 (25 MARKS)

(Total: 25 marks)

The consolidated financial statements of EE Bhd and its subsidiaries for the year 2014 (with 2013 comparative figures) are as follows:

Consolidated statement of financial position as at 31 December 2014		
	2014 (RM'000)	2013 (RM'000)
Goodwill on consolidation	288	-
Machinery (net)	8,928	6,336
Stock	864	922
Trade debtors	1,152	576
Cash	288	231
	<u>11,520</u>	<u>8,065</u>

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Share capital	2,880	2,880
Retained profit	4,464	2,851
Non-controlling interests	403	346
Long term loan	576	-
Trade creditors	1,498	720
Tax payable	1,411	980
Dividend payable	288	288
	<u>11,520</u>	<u>8,065</u>

Consolidated statement of profit or loss for the year ended 31 December 2014

	2014	2013
	(RM'000)	(RM'000)
Revenue	8,640	5,760
Less: Cost of sales	<u>(2,880)</u>	<u>(2,016)</u>
Gross profit	5,760	3,744
Profit on sale of machinery	29	-
Operating expenses	<u>(2,592)</u>	<u>(1,728)</u>
Profit before tax	3,197	2,016
Less: Tax	<u>(1,152)</u>	<u>(720)</u>
Profit after tax	2,045	1,296
Other comprehensive income	-	-
Total comprehensive income	<u>2,045</u>	<u>1,296</u>
Attributable to:		
Shareholders	1,901	1,238
Non-controlling interests	<u>144</u>	<u>58</u>
	<u>2,045</u>	<u>1,296</u>

Statements of changes in equity (partial) for the year ended 31 December 2014

	2014	2013
	(RM'000)	(RM'000)
Beginning retained profit	2,851	1,901
Add: Profit for the year	1,901	1,238
Less: Dividend	<u>(288)</u>	<u>(288)</u>
Ending retained profit	<u>4,464</u>	<u>2,851</u>

During the year 2014, EE Bhd acquired the entire issued share capital of EG Bhd for a cash consideration of RM1,440,000. EG Bhd's balance sheet at the time it was acquired was as follows (all assets and liabilities are stated at their respective fair values):

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	RM'000
Machinery (net)	1,440
Trade debtors	403
Cash	29
	<u>1,872</u>
Share capital	864
Retained profit	288
Long term loan	576
Trade creditors	144
	<u>1,872</u>

Additional information:

- 1) The book value of the machinery sold was RM230,000.
- 2) Operating expenses include depreciation expense of RM576,000.
- 3) EE Bhd Group uses the indirect method for the presentation of operating cash flows.

Required:

- i) Prepare the Consolidated Statement of Cash Flows for EE Bhd and its subsidiaries for the year ended 31 December 2014 in accordance with the requirements of MFRS 107 *Statement of Cash Flows*, using indirect method.

(20 marks)

- ii) Briefly explain the accounting treatment for investment in associate company and interest in joint venture for consolidated financial statements and the separate financial statement of the investor.

(5 marks)

(Total: 25 marks)

QUESTION 3 (25 MARKS)

On 1st of January 2013, PA Bhd acquired 60% of the shares of SC Bhd for RM200,000. On the same day, SC Bhd acquired 75% of the shares in SSB Bhd for RM300,000. On that date, the extract from the statement of financial position of SC Bhd and SSB Bhd was disclosed as given below:

	SC Bhd	SSB Bhd
Share capital of RM1 each fully paid	RM400,000	RM50,000
General reserve	10,000	20,000
Retained earnings	20,000	10,000

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On the same day, the carrying amount of non-current assets of SC Bhd and SSB Bhd and fair values revealed the following information. All other assets were recorded at fair values except the following:

	SC Bhd		SSB Bhd	
	Carrying value	Fair value	Carrying value	Fair value
Land	RM 40,000	RM 75,000	RM 25,000	RM 45,000

The financial data as at 31st December 2014 of the three companies are shown below.

	PA Bhd	SC Bhd	SSB Bhd
	RM	RM	RM
Land	100,000	40,000	25,000
Plant and machinery	500,000	120,000	24,000
Goodwill	25,000	-	-
Investments in:			
SC Bhd	400,000	-	-
SSB Bhd	-	200,000	-
Accounts receivables	22,000	130,000	50,000
Inventory	50,000	15,000	40,000
Cash	88,500	5,000	11,000
	<u>1,185,500</u>	<u>510,000</u>	<u>150,000</u>
Share capital of RM1 each	700,000	400,000	50,000
General reserve	50,000	10,000	20,000
Retained earnings	125,000	50,000	50,000
Asset revaluation reserve	150,000	-	-
Accounts payable	75,000	42,000	14,000
Other payables	85,500	8,000	16,000
	<u>1,185,500</u>	<u>510,000</u>	<u>150,000</u>

Additional information:

- 1) PA Bhd invoices inventories at cost plus 25% to SC Bhd and SSB Bhd. On 31st December 2014, inventories of SC Bhd and SSB Bhd include RM10,000 and RM15,000 respectively which were purchased from PA Bhd.
- 2) Accounts payable of SC Bhd includes amount payable to PA Bhd of RM12,000.
- 3) Accounts receivables of SSB Bhd include amount receivable from PA Bhd of RM5,000. PA Bhd has remitted this amount which was received by SSB Bhd on 3rd January 2015.
- 4) The group policy is to measure the NCI interest at proportionate share of the fair value of the net assets of the subsidiary.

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Required:

- i) Based on the above information, prepare the consolidated financial position of PA Bhd and its subsidiaries as at 31st December 2014.(show all working) (20 marks)
- ii) Briefly state when an entity is required to prepare the consolidated financial statements and under what circumstances a parent entity is exempted from the preparation of consolidated financial statements. (5 marks)

(Total: 25 Marks)**QUESTION 4 (25 MARKS)**

- A) Amar Bhd acquired 80% of the shares in Antony Bhd on 1st April 2012 for RM500,000, when the equity of Antony Bhd consisted of:-

Share capital of RM1 each	RM 500,000
Retained earnings	50,000
General reserves	20,000

All identifiable assets and liabilities of Antony Bhd were recorded at fair value on this date except for a plant for which the fair value was RM100,000 greater than carrying amount. The plant had a further 5 year life with depreciation based on the straight line method.

On the date of purchase the market price of Antony Bhd share was traded at RM2.00 per share. Non-controlling interest is measured at its fair value.

Amar Bhd also acquired 40% of the shares in Akbar Bhd on 1st October 2013 for RM200,000 when equity capital of the Akbar Bhd was RM400,000.

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The statements of Profit and loss of Amar Bhd, Antony Bhd and Akbar Bhd for the year ended 31st March 2014 are as follows:-

	Amar Bhd	Antony Bhd	Akbar Bhd
Sales revenue	720,000	600,000	250,000
Cost of sales	(610,000)	(430,000)	(175,000)
Gross profit	110,000	170,000	75,000
Other income	310,000	120,000	25,000
Dividends from:			
Antony Bhd	80,000	-	-
Akbar Bhd	40,000	-	-
Service charges paid to Amar Bhd	-	(70,000)	-
Profit before tax	540,000	220,000	100,000
Taxation	(170,000)	(70,000)	(20,000)
Profit after tax	370,000	150,000	80,000
Retained profit b/f	250,000	100,000	20,000
	620,000	250,000	100,000

Additional information:-

1. Antony Bhd sales include RM150,000 sales to Amar Bhd. None of these goods have been sold by Antony Bhd. The policy is to invoice sales at profit margin of 20%.
2. 50% of Goodwill of Antony is impaired during the year.
3. Assume that profits accrue evenly throughout the year.

Required:

- a) Prepare the Consolidated Statement of Profit or Loss of Amar Bhd group. (11 marks)
 - b) Show the profit attributable to parent company shareholders and NCI. (3 marks)
 - c) Show the retained profit brought forward from previous year. (3 marks)
 - d) Calculate the goodwill of Antony Bhd. (3 marks)
- B) Explain the accounting treatment for investments made in an associate company under the equity method of accounting. (5 marks)

(Total: 25 Marks)

End of Question Paper